

# Econometric model of Russian Federation: what is the price of growth?

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## Introduction

The paper describes an **ECONOMETRIC MODEL**, designed to analyze current trends in the **RUSSIAN FEDERATION** and the main factors that determine its development, as well as to forecast its dynamics for the coming years.

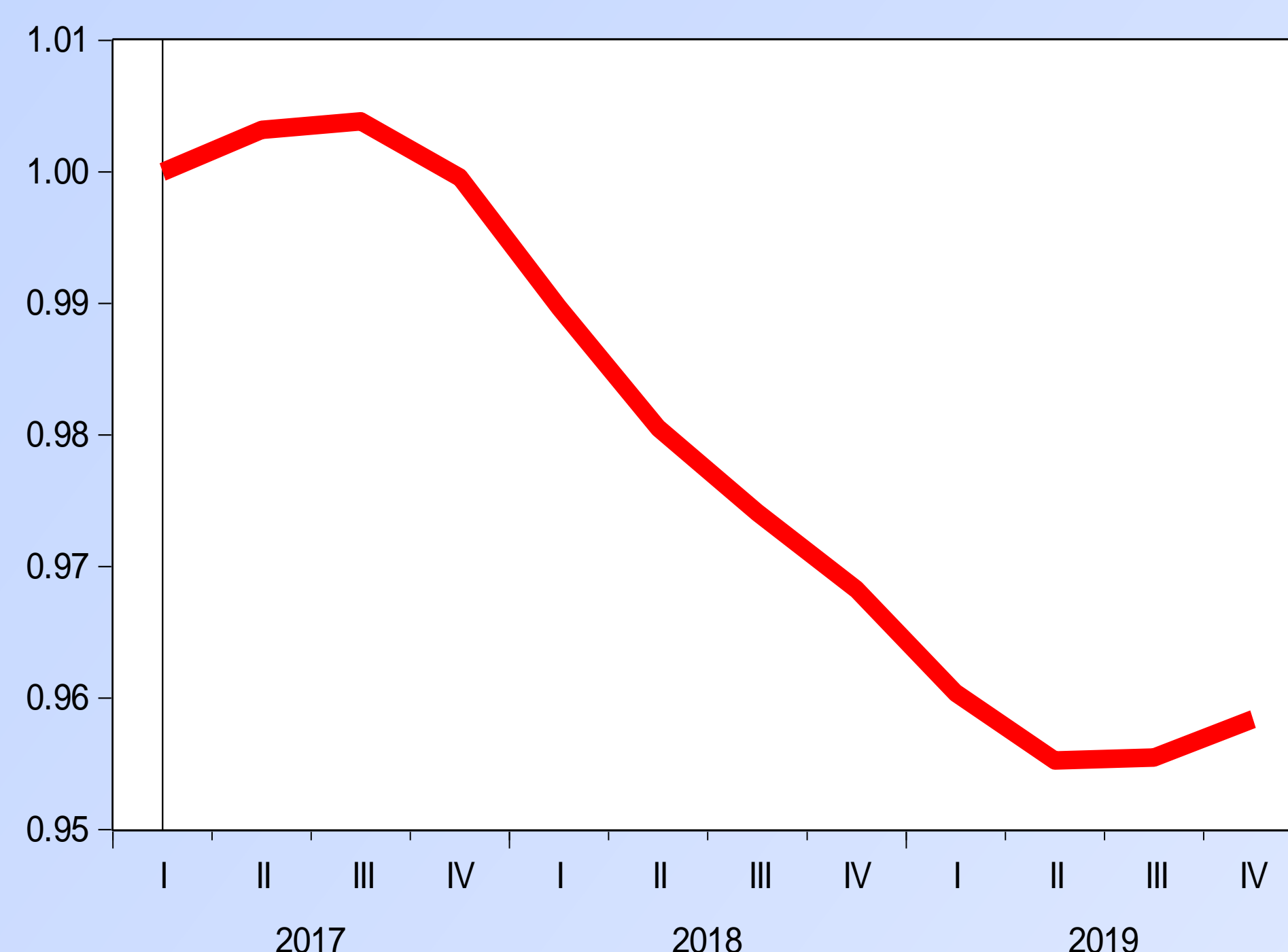
## Methods

### MODEL

|               |               |
|---------------|---------------|
| 32 equations  | 15 exogenous  |
| 75 identities | 92 endogenous |
| 107 variables |               |

| EXOGENOUS VARIABLES            | ENDOGENOUS VARIABLES         |
|--------------------------------|------------------------------|
| Monetary base                  | GDP volume;                  |
| Economically active population | Price indexes;               |
| Export and import prices       | Investment in fixed capital; |
| Government purchases           | Households' consumption;     |
| Capital account balance, etc   | Incomes and wages;           |
|                                | Bank loans and deposits;     |
|                                | Export and import volume     |
|                                | Dollar exchange rate, etc    |

## Procedures



The GDP forecast dynamics, Q1 2017=1

Negative dynamics of Russian economy in the coming years (forecast)

## Results

### IMPULSE MULTIPLIERS

| Exogenous / Endogenous         | The GDP constant prices index | The GDP deflator | The gross fixed capital formation constant prices index |
|--------------------------------|-------------------------------|------------------|---|
| Economically active population | +1,16                         | -0,29            | +0,42   |
| Export prices                  | -0,01                         | +0,24            | +0,07   |
| Import prices                  | +0,01                         | +0,07            | +0,05   |
| Government purchases           | +0,03                         | -0,04            | +0,04   |
| Government purchases deflator  | -0,24                         | +0,26            | -0,32   |
| Monetary base                  | +0,03                         | +0,02            | +0,07   |

Hopes to improve the economy via growth of export prices are illusive

## Results (Continued)

|   | Fact        | Forecast    | Forecast    |
|---|-------------|-------------|-------------|
|   | 2015 - 2016 | 2017 - 2018 | 2017 - 2019 |
| The GDP constant prices index                           | -1,5 %      | -2,0 %      | -2,3 %      |
| The GDP deflator  | +5,8 %      | +7,7 %      | +7,0 %      |
| The gross fixed capital formation constant prices index | -5,9 %      | +4,4 %      | +1,3 %      |

The BASIC VARIANT' forecast: negative economic dynamics with high inflation

## Conclusion

- **IMPULSE MULTIPLIERS** of the majority exogenous variables are small.
- **NEGATIVE DYNAMICS** of Russian economy preserves for the period 2018 – 2019.
- Chances to strengthen economic growth by means of either **MONETARY** or **FISCAL POLICY** are low.
- The dependence of Russian economy on **LABOR FORCE** puts the new challenges in the fields of improvement of **EDUCATION, HEALTHCARE, SCIENTIFIC AND TECHNOLOGICAL ADVANCES**.
- Failure to meet them will retain an inherent weakness of Russian economy and postpone an improvement of living standards of her citizens.

## References

MITSEK S. A. Econometric model of Russian economy. Liberal Arts University Press, Yekaterinburg, 2017.